

PRESS RELEASE

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In economically challenging environment, voestalpine posts operating result (EBITDA) of EUR 1.2 billion and negative EBIT for business year 2019/20

- » Both revenue and earnings impacted by economic meltdown, non-recurring effects, and economic consequences of Covid-19 pandemic
- » Year-over-year decline in revenue by 6.2%, from EUR 13.6 billion to EUR 12.7 billion
- » At EUR 1.2 billion, operating result (EBITDA) remains clearly positive (business year 2018/19: EUR 1.6 billion); EBITDA margin of 9.3%
- » Profit from operations (EBIT) falls to EUR –89 million (previous year: EUR 779 million) due to impairment losses
- » Profit before tax drops from EUR 646 million to EUR –230 million, and profit after tax from EUR 459 million to EUR –216 million
- » Gearing ratio rises to 67% as of March 31, 2020 (previous year: 47%)
- » Equity decreases by 16.3% from EUR 6.7 billion to EUR 5.6 billion
- » Cash flows from operating activities increase by 11.8%, from EUR 1.2 billion to EUR 1.3 billion
- » Successful reduction in working capital by EUR 434 million
- » Number of employees (FTE) declines by 4.3%, from 52,000 to 49,700
- » Dividend of EUR 0.20 per share proposed to Annual General Meeting (previous year: EUR 1.10 per share)
- » Outlook for business year 2020/21: EBITDA between EUR 600 million and EUR 1 billion

For the voestalpine Group, the business year 2019/20 was defined by a massive dampening of sentiment in the economic environment owing to the worldwide trade conflicts. These developments hit Europe's export-driven industry, which accounts for about two-thirds of the Group's revenue, particularly hard. The automotive segment, which is important to the voestalpine Group, slumped worldwide. Add to that globally rising iron ore prices in the face of simultaneously falling steel prices. An upward trend did not make itself felt for the first time until the start of the business year's fourth quarter, only to be brought to a sudden standstill by the outbreak of the Covid-19 pandemic. "The decline in the voestalpine Group's revenue for the business year 2019/20 reflects the economic downturn on the whole throughout the business year. But negative non-recurring effects also had an impact on the results. Given the intensifying deterioration in the economic environment on account of Covid-19, we will consistently pursue current programs that are aimed at cutting costs and boosting efficiency. The consolidated financial statements for the business year 2019/20 already show the first positive effects of that strategy: We substantially lowered working capital, achieved very good cash flows, and have high liquidity," says Herbert Eibensteiner, Chairman of the Management Board of voestalpine AG. "As far as our operating performance is concerned, the technology segments, railway systems and storage systems, did very well in these difficult times."

Production curtailments and short time work due to the Covid-19 pandemic

The Covid-19 pandemic and its economic consequences forced voestalpine to curtail production and temporarily shut down plants in almost all of its areas; this includes a small blast furnace in Linz, Austria,

that has been shut down until further notice. In May 2020, about 10,400 employees in Austria and about 3,000 employees in Germany were registered for short time work, and another 2,400 employees internationally for similar schemes. voestalpine gives highest priority to the health of its labor force in this situation.

Development of revenue and earnings

Owing to the economic environment, the revenue of the voestalpine Group fell in the business year 2019/20 by 6.2%, from EUR 13.6 billion in the previous year to EUR 12.7 billion. The decline on the earnings side was more dramatic on account of internal non-recurring effects. As previously communicated, impairment losses were recognized in the third quarter of the business year 2019/20 as a result of impairment tests conducted at the time. In addition, provisions for risks with negative consequences (including restructuring costs) were recognized also. Another impairment test had to be carried out in April 2020 due to the Covid-19 pandemic; it resulted in yet more impairment losses. In the business year ended, on the whole these non-recurring effects impacted EBITDA to the tune of EUR 83 million and EBIT (including EBITDA effects) to the tune of EUR 485 million. Against this backdrop and owing to the gloomy market environment, EBITDA fell year over year by 24.5%, from EUR 1.6 billion to EUR 1.2 billion. The impairment losses led to negative EBIT of EUR -89 million for the business year (2018/19: EUR 779 million). In keeping with EBIT and based on net financial income of EUR -141 million (previous year: EUR -134 million), the profit before tax for the business year 2019/20 is EUR -230 million (previous year: EUR 646 million). Given the positive corporate income tax of EUR 14 million for the business year (previous year: EUR -187 million), the resulting profit after tax is EUR -216 million (2018/19: EUR 459 million).

Adjusted dividend proposal, positive development of cash flows, and reduction in working capital

Subject to the approval of the Annual General Meeting of voestalpine AG, which will take place on July 1, 2020, a dividend of EUR 0.20 per share will be paid to the company's shareholders. Relative to the previous year's dividend of EUR 1.10 per share, the reduction in this year's dividend stems from the company's negative earnings performance in the business year 2019/20, the tense economic environment associated with the Covid-19 pandemic as well as the decline in the price of voestalpine's share. Relative to voestalpine's average share price of EUR 23.38 in the reporting period, the dividend yield for the business year ended is 0.9% (previous year: 3.1%).

At 67%, the gearing ratio (net financial debt as a percentage of equity) as of March 31, 2020, rose significantly (previous year: 47%). Besides the negative earnings performance, this development was largely due to accounting rules as well as the redemption of the EUR 500 million hybrid bond as of October 31, 2019. Net financial debt rose due to the change in accounting standards (IFRS 16) by EUR 436 million and the redemption of the hybrid bond in the amount of EUR 500 million; the final amount as of March 31, 2020, is EUR 3.8 billion (previous year: EUR 3.1 billion). Equity fell by 16.3% from EUR 6.7 billion as of March 31, 2019, to EUR 5.6 billion as of March 31, 2020. In addition to the Group's earnings performance, this decline stems from the redemption of the hybrid bond, which had been reported in equity, as well as the dividend payments made in the course of the business year 2019/20.

Year over year, cash flows from operating activities rose by 11.8%, from EUR 1.2 billion to EUR 1.3 billion. Working capital declined by EUR 434 million in the same period. As of March 31, 2020, the

voestalpine Group had about 49,700 employees (FTE), which equates to a year-over-year reduction by 4.3% (2,225 FTE).

Investments in state-of-the-art plants

At EUR 777 million, the investments of the voestalpine Group in the business year 2019/20 fell short of depreciation for the first time since the business year 2011/12. Investment activities are to be curtailed yet further in the business year 2020/21, and the Group will increasingly shift its focus to optimizing the high-tech plants it recently put into operation. Highlights in this respect include the electrolyzer pilot plant for CO₂-free production of hydrogen at the Group's facility in Linz, Austria, which was started up in 2019 and represents a milestone in voestalpine's journey toward decarbonized steelmaking. The construction of the world's most advanced special steel plant is also proceeding apace. Due to delivery bottlenecks resulting from Covid-19, however, completion of this fully digitalized plant will be delayed until the second half of calendar year 2021. A new continuous casting plant ("CC4") with an annual capacity of 950,000 tons was largely finalized in Donawitz, Austria. At the same time, the Group's automotive plant in Shenyang, China, launched what is the third phs-ultraform® line for the production of ultra-high tensile lightweight components.

Outlook for the Business Year 2020/21

The outbreak of the Covid-19 pandemic did not affect the voestalpine Group's operating result until the final quarter of the business year 2019/20.

The steps taken to mitigate the pandemic that are generally known as a "lockdown" are still in force in parts of Europe as well as in North and South America, and even in parts of Asia. While the resulting economic consequences cannot be definitively assessed at this time, it is already becoming apparent that a dramatic economic downturn across the board will define the first quarter of the business year 2020/21.

"Absent any knowledge as to the full extent of the economic meltdown, we can only provide very rough estimates regarding the subsequent development of the business year 2020/21. From today's vantage point, a scenario that posits an improvement in the economy on the whole after the summer of 2020 is likely. This assessment is made in an extremely volatile economic environment and thus is fraught with considerable uncertainty," says Herbert Eibensteiner. "Hence voestalpine's focus in the business year 2020/21 will be on measures aimed at stabilizing earnings, such as consistent cost and working capital management as well as cash flow generation." Accordingly, investments in the current business year will be about EUR 600 million, which is substantially less than the investment volume in recent years and less than depreciation.

The diversification of the voestalpine Group at the level of both product and market is a stabilizing element that displays its effectiveness even in an economic state of emergency such as this one. voestalpine's facilities in China now are almost back to producing at the capacity prevailing prior to the outbreak of the Covid-19 pandemic. Demand in the railway infrastructure sector, which in many regions is deemed systemically relevant, is good in most of the world. Driven as it is by online

voestalpine AG

commerce, the high-bay warehouse system segment got an additional boost from the lockdown, and its current order levels are very good.

Nonetheless, the uncertainties confronting the entire voestalpine Group in the next few months are very high, which is why an assessment of future earnings can only be a rough estimate. "Given the continued volatility of the economic environment, we expect the voestalpine Group to generate EBITDA of between EUR 600 million and EUR one billion in the business year 2020/21," says Herbert Eibensteiner.

The voestalpine Group

In its business segments, voestalpine is a globally leading steel and technology group with a unique combination of materials and processing expertise. This global Group comprises about 500 Group companies and locations in more than 50 countries on all five continents. It has been listed on the Vienna Stock Exchange since 1995. With its top-quality products and system solutions, the voestalpine Group is a leading partner of the automotive and consumer goods industries as well as of the aerospace and oil & natural gas industries. It is also the world market leader in railway systems, tool steel, and special sections. voestalpine is committed to global climate targets and is working intensively on technologies aimed at decarbonizing steel production and lowering its CO₂ emissions over the long term. In the business year 2019/20, the Group generated revenue of EUR 12.7 billion, with an operating result (EBITDA) of EUR 1.2 billion; it had about 49,000 employees worldwide.

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